

**REPORT OF THE AUDIT OF THE
GRAYSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Gary Logsdon, Grayson County Judge/Executive
Members of the Grayson County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates PSC, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates PSC evaluated the Grayson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
GRAYSON COUNTY FISCAL COURT**

June 30, 2009

Simon, Underwood & Associates PSC has completed the audit of the Grayson County Fiscal Court for fiscal year ended June 30, 2009.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Grayson County, Kentucky. We have also issued an unqualified opinion on Grayson County's compliance with requirements applicable to its major federal program: Federal Emergency Management Disaster Program (CFDA #97.036).

Financial Condition:

The fiscal court had total net assets of \$9,445,544 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,480,955 in its governmental activities as of June 30, 2009, with total net assets of \$8,707,220. In its business-type activities, total net cash and cash equivalents were \$1,734,395 with total net assets of \$738,324. The fiscal court had total debt principal as of June 30, 2009 of \$20,721,974 with \$869,673 due within the next year.

Deposits:

The fiscal court's deposits, as of June 30, 2009 and August 31, 2008, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$93,655 and \$770,503, respectively

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize fiscal court's deposits in accordance with the security agreement.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
GRAYSON COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	39
NOTES TO FINANCIAL STATEMENTS	41
BUDGETARY COMPARISON SCHEDULES	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	64
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	67
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	71
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	75
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	76
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	79
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	83
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	87
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Gary Logsdon, Grayson County Judge/Executive
Members of the Grayson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grayson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Grayson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Gary Logsdon, Grayson County Judge/Executive
Members of the Grayson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grayson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2009, on our consideration of Grayson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

December 31, 2009

GRAYSON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Gary Logsdon	County Judge/Executive
Harold Johnson	Magistrate
Presto Gary	Magistrate
Bill Skaggs	Magistrate
Randy Jason Dennis	Magistrate
Andy Logsdon	Magistrate
Curtis Wells	Magistrate

Other Elected Officials:

Thomas H. Goff	County Attorney
Darwin Dennison	Jailer
Carletta Farris	County Clerk
Elois Downs	Circuit Court Clerk
Rick Clemons	Sheriff
Roger Tomes	Property Valuation Administrator
Joe Brad Hudson	Coroner

Appointed Personnel:

Rebecca Hayse	County Treasurer
Larry Holeman	Occupational Tax Collector
Freida Alexander	Finance Officer
Steve Mahurin	Road Supervisor
Randall Smith	Emergency Management Coordinator
Sandy Farris	Jail Administrative Assistant

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

GRAYSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash And Cash Equivalents	\$ 2,915,438	\$ 1,734,395	\$ 4,649,833
Total Current Assets	<u>2,915,438</u>	<u>1,734,395</u>	<u>4,649,833</u>
Noncurrent Assets:			
Capital Assets - Net Of Accumulated Depreciation			
Construction In Progress		10,524,429	10,524,429
Land and Land Improvements	820,559	192,200	1,012,759
Buildings	9,576,494		9,576,494
Vehicles and Equipment	1,532,893	12,300	1,545,193
Infrastructure	2,858,810		2,858,810
Total Noncurrent Assets	<u>14,788,756</u>	<u>10,728,929</u>	<u>25,517,685</u>
Total Assets	<u>17,704,194</u>	<u>12,463,324</u>	<u>30,167,518</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	385,000		385,000
Lease Revenue Bonds		410,000	410,000
Financing Obligations Payable	74,673		74,673
Total Current Liabilities	<u>459,673</u>	<u>410,000</u>	<u>869,673</u>
Noncurrent Liabilities:			
Bonds Payable	7,905,000		7,905,000
Lease Revenue Bonds		11,315,000	11,315,000
Financing Obligations Payable	632,301		632,301
Total Noncurrent Liabilities	<u>8,537,301</u>	<u>11,315,000</u>	<u>19,852,301</u>
Total Liabilities	<u>8,996,974</u>	<u>11,725,000</u>	<u>20,721,974</u>
NET ASSETS			
Invested In Capital Assets,			
Net Of Related Debt	5,791,782	12,300	5,804,082
Restricted For:			
Debt Service	434,483		434,483
Unrestricted	2,480,955	726,024	3,206,979
Total Net Assets	<u>\$ 8,707,220</u>	<u>\$ 738,324</u>	<u>\$ 9,445,544</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

GRAYSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 4,659,629	\$ 32,258	\$ 634,832	\$ 46,190
Protection To Persons And Property	7,363,799	9,074,384	279,368	
General Health And Sanitation	116,587			
Social Services	2,894			
Recreation And Culture	57,276			
Roads	1,383,607		1,239,780	430,143
Bus Service	9,250			
Debt Service	364,572			
Total Governmental Activities	<u>13,957,614</u>	<u>9,106,642</u>	<u>2,153,980</u>	<u>476,333</u>
Business-type Activities:				
Jail Canteen	590,596	582,915		
Public Properties Corporation	531,006	922,206		
Total Business-type Activities	<u>1,121,602</u>	<u>1,505,121</u>		
Total Primary Government	<u>\$ 15,079,216</u>	<u>\$ 10,611,763</u>	<u>\$ 2,153,980</u>	<u>\$ 476,333</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Interfund Transfers

Total General Revenues and Transfers

Change In Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,946,349)	\$	\$ (3,946,349)
1,989,953		1,989,953
(116,587)		(116,587)
(2,894)		(2,894)
(57,276)		(57,276)
286,316		286,316
(9,250)		(9,250)
(364,572)		(364,572)
(2,220,659)		(2,220,659)
	(7,681)	(7,681)
	391,200	391,200
	383,519	383,519
\$ (2,220,659)	\$ 383,519	\$ (1,837,140)
505,702		505,702
72,897		72,897
102,735		102,735
384,729		384,729
264,452		264,452
240,082		240,082
1,399,937		1,399,937
30,623	461,920	492,543
(23,576)	23,576	
2,977,581	485,496	3,463,077
756,922	869,015	1,625,937
7,950,298	(130,691)	7,819,607
\$ 8,707,220	\$ 738,324	\$ 9,445,544

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

GRAYSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Detention Facility Project Bond Fund	Non- Major Funds	Total Governmental Funds
ASSETS						
Cash And Cash Equivalents	\$ 608,906	\$ 542,185	\$ 1,281,227	\$ 434,483	\$ 48,637	\$ 2,915,438
Total Assets	<u>608,906</u>	<u>542,185</u>	<u>1,281,227</u>	<u>434,483</u>	<u>48,637</u>	<u>2,915,438</u>
FUND BALANCES						
Reserved For:						
Encumbrances	122,432	197,010	180,886		17,008	517,336
Debt Service				434,483		434,483
Unreserved:						
General Fund	486,474					486,474
Special Revenue Funds		345,175	1,100,341		31,629	1,477,145
Total Fund Balances	<u>\$ 608,906</u>	<u>\$ 542,185</u>	<u>\$ 1,281,227</u>	<u>\$ 434,483</u>	<u>\$ 48,637</u>	<u>\$ 2,915,438</u>

Reconciliation Of The Balance Sheet - Governmental Funds To The Statement Of Net Assets:

Total Fund Balances	\$ 2,915,438
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial	
Resources And Therefore Are Not Reported In The Funds.	19,906,296
Accumulated Depreciation	(5,117,540)
Long-term Debt Is Not Due And Payable In The Current Period And,	
Therefore, Is Not Reported In The Funds.	
Financing Obligations	(706,974)
Bonded Debt	<u>(8,290,000)</u>
Net Assets Of Governmental Activities	<u>\$ 8,707,220</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

GRAYSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Detention Facility Project Bond Fund
REVENUES				
Taxes	\$ 1,296,298	\$ 713,903	\$	\$
In Lieu Tax Payments	34,218			
Excess Fees	240,082			
Licenses and Permits	18,596			
Intergovernmental	439,099	1,913,813	9,154,793	
Charges for Services			60,245	
Miscellaneous	95,170	4,022	317,491	
Interest	2,804	5,350	19,459	2,725
Total Revenues	<u>2,126,267</u>	<u>2,637,088</u>	<u>9,551,988</u>	<u>2,725</u>
EXPENDITURES				
General Government	952,983	10,687		
Protection to Persons and Property	91,549	178,536	6,722,940	
General Health and Sanitation	107,603			
Social Services				
Recreation and Culture	50,697			
Roads		1,775,533		
Bus Services				
Debt Service	56,682	20,572	33,363	695,011
Administration	856,379	330,083	2,474,777	
Total Expenditures	<u>2,115,893</u>	<u>2,315,411</u>	<u>9,231,080</u>	<u>695,011</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>10,374</u>	<u>321,677</u>	<u>320,908</u>	<u>(692,286)</u>
Other Financing Sources (Uses)				
Transfers to Other Funds	(74,000)	(96,910)	(855,870)	
Transfers from Other Funds	187,334			705,870
Total Other Financing Sources (Uses)	<u>113,334</u>	<u>(96,910)</u>	<u>(855,870)</u>	<u>705,870</u>
Net Change in Fund Balances	123,708	224,767	(534,962)	13,584
Fund Balances - Beginning	<u>485,198</u>	<u>317,418</u>	<u>1,816,189</u>	<u>420,899</u>
Fund Balances - Ending	<u><u>\$ 608,906</u></u>	<u><u>\$ 542,185</u></u>	<u><u>\$ 1,281,227</u></u>	<u><u>\$ 434,483</u></u>

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 277,056	\$ 2,287,257
	34,218
	240,082
	18,596
80,582	11,588,287
60,000	120,245
2,122	418,805
284	30,622
<u>420,044</u>	<u>14,738,112</u>
7,240	970,910
357,142	7,350,167
8,984	116,587
945	945
5,581	56,278
	1,775,533
9,250	9,250
4,393	810,021
117,358	3,778,597
<u>510,893</u>	<u>14,868,288</u>
<u>(90,849)</u>	<u>(130,176)</u>
	(1,026,780)
<u>110,000</u>	<u>1,003,204</u>
<u>110,000</u>	<u>(23,576)</u>
19,151	(153,752)
<u>29,486</u>	<u>3,069,190</u>
<u>\$ 48,637</u>	<u>\$ 2,915,438</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

GRAYSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (153,752)
--	--------------

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	1,261,788
Depreciation Expense	(785,913)
Book Value of Disposed Capital Assets	(10,650)

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds while Principal Payments Are Expense in the Governmental Funds as a Use of Current Financial Resources. These Transactions, however, Have No Effect on Net Assets.

Financing Obligations Payments	80,449
Bond Payments	365,000

Change in Net Assets of Governmental Activities	\$ 756,922
---	------------

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

GRAYSON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	Jail Canteen Fund	Public Properties Corporation Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 246,063	\$ 1,488,332	\$ 1,734,395
Total Current Assets	<u>246,063</u>	<u>1,488,332</u>	<u>1,734,395</u>
Noncurrent Assets:			
Capital Assets:			
Construction in Progress		10,524,429	10,524,429
Land		192,200	192,200
Vehicles and Equipment	82,958		82,958
Less Accumulated Depreciation	(70,658)		(70,658)
Total Noncurrent Assets	<u>12,300</u>	<u>10,716,629</u>	<u>10,728,929</u>
Total Assets	<u>258,363</u>	<u>12,204,961</u>	<u>12,463,324</u>
Liabilities			
Current Liabilities:			
Bonds Payable		410,000	410,000
Total Current Liabilities		<u>410,000</u>	<u>410,000</u>
Noncurrent Liabilities:			
Bonds Payable		11,315,000	11,315,000
Total Noncurrent Liabilities		<u>11,315,000</u>	<u>11,315,000</u>
Total Liabilities		<u>11,725,000</u>	<u>11,725,000</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	12,300		12,300
Restricted For:			
Debt Service			
Unrestricted	<u>246,063</u>	<u>479,961</u>	<u>726,024</u>
Total Net Assets	<u>\$ 258,363</u>	<u>\$ 479,961</u>	<u>\$ 738,324</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

GRAYSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	Jail Canteen Fund	Public Properties Corporation Fund	Totals
Operating Revenues			
Canteen Receipts	\$ 547,992	\$	\$ 547,992
Rental Income		922,206	922,206
Other Receipts	34,923		34,923
Total Operating Revenues	<u>582,915</u>	<u>922,206</u>	<u>1,505,121</u>
Operating Expenses			
Cost of Sales	219,675		219,675
Jail Fees	34,943		34,943
Entertainment	16,380		16,380
Pay Commissary	233,786		233,786
Depreciation	12,298		12,298
Miscellaneous	73,514		73,514
Total Operating Expenses	<u>590,596</u>	<u></u>	<u>590,596</u>
Operating Income (Loss)	<u>(7,681)</u>	<u>922,206</u>	<u>914,525</u>
Nonoperating Revenues (Expenses)			
Interest Income		461,920	461,920
Inmate Pay From State			
Bond Issuance Costs			
Debt Service:			
Interest Payments		(531,006)	(531,006)
Total Nonoperating Revenues (Expenses)		<u>(69,086)</u>	<u>(69,086)</u>
Net Income Before Transfers	(7,681)	853,120	845,439
Interfund Transfers			
From General Fund		14,000	14,000
From Road Fund		9,576	9,576
Change In Net Assets	(7,681)	876,696	869,015
Total Net Assets - Beginning	<u>266,044</u>	<u>(396,735)</u>	<u>(130,691)</u>
Total Net Assets - Ending	<u>\$ 258,363</u>	<u>\$ 479,961</u>	<u>\$ 738,324</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

GRAYSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Public Properties Corporation Fund	Totals
Cash Flows From Operating Activities			
Receipts From Customers	\$ 547,992	\$	\$ 547,992
Rental Income		922,206	922,206
Other Receipts	34,923		34,923
Cost of Sales	(219,675)		(219,675)
Jail Fees	(34,943)		(34,943)
Entertainment	(16,380)		(16,380)
Pay Commissary	(233,786)		(233,786)
Miscellaneous	(73,514)		(73,514)
Net Cash Provided By Operating Activities	4,617	922,206	926,823
Cash Flows From Capital and Related Financing Activities			
Lease Revenue Bond Proceeds			
Principal Paid On Capital Debt		(390,000)	(390,000)
Interest Paid On Capital Debt		(531,006)	(531,006)
Bond Issuance Costs			
Construction in Progress		(5,484,533)	(5,484,533)
Net Cash Provided (Used) By Capital and Related Financing Activities		(6,405,539)	(6,405,539)
Cash Flows From Investing Activities			
Interest Earned		461,920	461,920
Net Cash Provided By Investing Activities		461,920	461,920
Net Increase in Cash and Cash Equivalents	4,617	(5,021,413)	(5,016,796)
Cash and Cash Equivalents - July 1, 2007	241,446	6,509,745	6,751,191
Cash and Cash Equivalents - June 30, 2008	\$ 246,063	\$ 1,488,332	\$ 1,734,395
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ (7,681)	\$ 922,206	\$ 914,525
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities			
Depreciation Expense	12,298		12,298
Net Cash Provided By Operating Activities	\$ 4,617	\$ 922,206	\$ 926,823

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

GRAYSON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Agency Fund</u>
	Jail Inmate Fund
	<u> </u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 72,675
	<u> </u>
Total Assets	<u> 72,675</u>
Liabilities	
Amounts Held In Custody For Others	<u> 72,675</u>
	<u> </u>
Total Liabilities	<u> 72,675</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	41
NOTE 2.	DEPOSITS	47
NOTE 3.	CAPITAL ASSETS.....	48
NOTE 4.	LONG-TERM DEBT - BONDS	50
NOTE 5.	LONG-TERM DEBT - FINANCING OBLIGATIONS	51
NOTE 6.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	56
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	57
NOTE 8.	DEFERRED COMPENSATION	57
NOTE 9.	INSURANCE	58
NOTE 10.	DETENTION CENTER ACCOUNTING SYSTEM.....	58
NOTE 11.	CONTINGENCIES	58

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Grayson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes no organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Grayson County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Grayson County's financial statements.

C. Grayson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Grayson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Grayson County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Detention Facility Project Bond Fund - This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest for the Grayson County Detention Facility. The Department for Local Government does not require the fiscal court to report or budget this fund.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Federal Grant Fund, and Emergency 911 Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grant Fund, and Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Detention Facility Project Bond Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds:

The principal operating revenue of the county's enterprise funds is charges to customers for sales in the Jail Canteen Fund and charges of rent in the Grayson County Public Properties Corporation. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major enterprise funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Grayson County Public Properties Corporation Fund - The Public Properties Corporation accounts for the activities of the Public Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a new judicial building. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of the Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget this fund.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Jail Inmate Fund, is used to account for inmate monies held by the Jailer, for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 50,000	10-75
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 15,000	3-25
Vehicles	\$ 12,500	3-25
Infrastructure	\$ 20,000	10-50

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Grayson County Fiscal Court: Grayson County Water Districts, Grayson County Soil Conservation District, Grayson County Extension Service, and Grayson County Library.

Note 2. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial Credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, and August 31, 2008, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement as follows:

- Uncollateralized and Unsecured \$93,655 and \$770,503, respectively.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 820,559	\$	\$	\$ 820,559
Total Capital Assets Not Being Depreciated	820,559			820,559
Capital Assets, Being Depreciated:				
Buildings	12,063,426	228,754		12,292,180
Vehicles and Equipment	2,888,549	281,200	(60,278)	3,109,471
Infrastructure	2,932,252	751,834		3,684,086
Total Capital Assets Being Depreciated	17,884,227	1,261,788	(60,278)	19,085,737
Less Accumulated Depreciation For:				
Buildings	(2,492,552)	(223,134)		(2,715,686)
Vehicles and Equipment	(1,370,434)	(255,772)	49,628	(1,576,578)
Infrastructure	(518,269)	(307,007)		(825,276)
Total Accumulated Depreciation	(4,381,255)	(785,913)	49,628	(5,117,540)
Total Capital Assets, Being Depreciated, Net	13,502,972	475,875	(10,650)	13,968,197
Governmental Activities Capital Assets, Net	\$ 14,323,531	\$ 475,875	\$ (10,650)	\$ 14,788,756

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2009 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,016,320	\$ 5,508,109	\$	\$ 10,524,429
Land	192,200			192,200
Total Capital Assets Not Being Depreciated	5,208,520	5,508,109		10,716,629
Capital Assets, Being Depreciated:				
Vehicles and Equipment	82,958			82,958
Total Capital Assets Being Depreciated	82,958			82,958
Less Accumulated Depreciation For:				
Vehicles and Equipment	(58,360)	(12,298)		(70,658)
Total Accumulated Depreciation	(58,360)	(12,298)		(70,658)
Total Capital Assets, Being Depreciated, Net	24,598	(12,298)		12,300
Business-Type Activities Capital Assets, Net	\$ 5,233,118	\$ 5,495,811	\$	\$ 10,728,929

Depreciation expense was charged to functions of the government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 52,212
Protection to Persons and Property	379,496
Social Services	1,949
Recreation and Culture	998
Roads, Including Depreciation of General Infrastructure Assets	351,258
Total Depreciation Expense - Governmental Activities	<u>\$ 785,913</u>
<u>Business-Type Activities</u>	
Jail Canteen Fund	<u>\$ 12,298</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 12,298</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt - Bonds

A. General Obligation Improvement Bonds, Series 1999

The Fiscal Court issued obligations, dated September 1, 1999 and payable in 25 annual installments beginning September 1, 2002, with \$9,700,000 term bonds due on September 1, 2024, and semi-annual interest payments on the first of March and September at varying rates from 5.0 % to 5.375 %. The Fiscal Court issued the bonds for the purpose of constructing a Detention Center.

The Fiscal Court issued General Obligation Refunding Bonds, Series 2006 to partially refund the series 1999 bonds. As of June 30, 2009, bonds outstanding were \$325,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 325,000	\$ 8,125
Totals	<u>\$ 325,000</u>	<u>\$ 8,125</u>

B. General Obligation Refunding Bonds, Series 2006

The Fiscal Court issued obligations, dated October 15, 2006 and payable in 19 annual installments beginning September 1, 2007, with \$8,135,000 term bonds due on September 1, 2024, and semi-annual interest payments on the first of March and September at varying rates from 5.0 % to 5.375 %.

The Fiscal Court issued the bonds to refund the General Obligation Improvement Series 1999 Bonds due September 1, 2010 through 2024. The refunding of the Series 1999 Bonds have been accomplished pursuant to the Escrow Agreement by and between the County and U. S. Bank, National Association, the paying agent for the Series 1999 Bonds (the "Escrow Agent") by depositing with the Escrow Agent a sum of initial cash and certain noncallable direct obligations of the United States Treasury (collectively, the "Government Obligations"). The funds needed to make the initial cash deposit and to purchase the Government Obligations have been provided from the proceeds of the Bonds.

The Government Obligations purchased and deposited with the Escrow Agent bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys together with any amounts of cash then on deposit with the Escrow Agent, will be available to fully provide for: (i) the timely payment of interest on the Series 1999 Bonds accruing from September 1, 2006 to and including September 1, 2009 (the earliest date on which such bonds can be redeemed prior to maturity); and (ii) to redeem on November 1, 2010 at a price equal to 101% of principal amount the Series 1999 Bonds which as of that date have not been redeemed, retired or otherwise paid.

All moneys and Government Obligations on deposit with the Escrow Agent, including interest to be earned thereon, are pledged solely and irrevocably for the benefit of the holders of the Series 1999 bonds.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt - Bonds (Continued)

B. General Obligation Refunding Bonds, Series 2006 (Continued)

As of June 30, 2009, bonds outstanding were \$7,965,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 60,000	\$ 303,961
2011	400,000	295,624
2012	415,000	280,852
2013	430,000	265,536
2014	445,000	249,622
2015-2019	2,500,000	981,000
2020-2024	3,030,000	448,310
2025	685,000	13,700
Totals	<u>\$ 7,965,000</u>	<u>\$ 2,838,605</u>

Note 5. Long-term Debt - Financing Obligations

A. Ambulance

On June 25, 2005 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$60,000 at 4.25 percent interest for a period of five years. The financing obligation was for funding of an ambulance. The maturity date of the obligation is July 20, 2010. The principal balance of the obligation as of June 30, 2009 was \$14,303. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 13,170	\$ 536
2011	1,133	22
Totals	<u>\$ 14,303</u>	<u>\$ 558</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

B. Truck and Backhoe

On December 23, 2003 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$55,500 at 2.73 percent interest for a period of five years. The financing obligation was for the funding of a truck and backhoe. The maturity date of the obligation is January 20, 2009. The principal balance of the obligation as of June 30, 2009 was \$0.

C. Judicial Center Property

On December 10, 2004 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$300,000 at a variable interest rate for a period of 25 years. The financing obligation was for funding of property for a new judicial center. The maturity date of the obligation is July 20, 2029. The principal balance of the obligation as of June 30, 2009 was \$270,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 10,000	\$ 13,025
2011	10,000	12,522
2012	10,000	12,042
2013	10,000	11,539
2014	10,000	11,043
2015-2019	50,000	47,776
2020-2024	70,000	33,002
2025-2029	80,000	14,205
2030	20,000	92
Totals	<u>\$ 270,000</u>	<u>\$ 155,246</u>

D. Property

On June 7, 2005 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$13,500 at 4.25 % interest for a period of five years. The financing obligation was for funding of property. The maturity date of the obligation is July 20, 2010. The principal balance of the obligation as of June 30, 2009 was \$2,500. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 2,500	\$ 60
Totals	<u>\$ 2,500</u>	<u>\$ 60</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

E. Sheriff's Vehicles

On July 29, 2005 the Fiscal Court entered into an agreement with Old National Bank in the amount of \$72,000 at 4.60 % interest for a period of five years. The financing obligation was for the funding of three sheriff's vehicles. The maturity date of the obligation is July 20, 2010. The principal balance of the obligation as of June 30, 2009 was \$30,755. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 15,032	\$ 1,415
2011	15,723	723
Totals	<u>\$ 30,755</u>	<u>\$ 2,138</u>

F. Road Grader

On May 4, 2006 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at 4.30 % interest for a period of fifteen years. The financing obligation was for funding of a road grader. The maturity date of the obligation is May 20, 2021. The principal balance of the obligation as of June 30, 2009 was \$119,236. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 7,510	\$ 6,023
2011	7,895	5,635
2012	8,298	5,227
2013	8,722	4,812
2014	9,169	4,366
2015-2019	53,380	14,290
2020-2021	24,262	1,682
Totals	<u>\$ 119,236</u>	<u>\$ 42,035</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

G. Skate Park

On November 3, 2006 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at 4.365 % interest for a period of fifteen years. The financing obligation was for funding of a skate park. The maturity date of the obligation is November 20, 2021. The principal balance of the obligation as of June 30, 2009 was \$48,830. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 2,461	\$ 1,878
2011	2,582	1,846
2012	2,745	1,740
2013	2,918	1,624
2014	3,103	1,502
2015-2019	18,709	5,394
2020-2022	11,312	1,104
Totals	<u>\$ 43,830</u>	<u>\$ 15,088</u>

H. Detention Center Property

On December 4, 2006 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$284,350 at 5.188 % interest for a period of ten years. The financing obligation was for funding of property for the detention center. The maturity date of the obligation is July 20, 2016. The principal balance of the obligation as of June 30, 2009 was \$226,350. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 24,000	\$ 8,731
2011	24,000	8,100
2012	29,000	7,095
2013	36,000	5,709
2014	36,000	4,237
2015-2017	77,350	4,090
Totals	<u>\$ 226,350</u>	<u>\$ 37,962</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

I. Public Properties Corporation Lease Revenue Bonds (Judicial Center Project)

On September 11, 2007, the Grayson County Public Properties Corporation issued \$12,115,000 Lease Revenue Bonds, Series 2007, with interest rates varying from 4.25 percent to 4.625 percent, for the purpose of constructing a new Judicial Center facility for lease to the Administrative Office of the Courts. The bonds mature serially through September 1, 2027 and require semi-annual interest payments due on September 1 and March 1. Bonds maturing on or after September 1, 2018 are subject to optional redemption in whole or in part, by the issuer. The principal balance of the obligation as of June 30, 2009 was \$11,725,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 410,000	\$ 514,006
2011	425,000	496,263
2012	445,000	477,775
2013	465,000	458,438
2014	485,000	438,250
2015-2019	2,745,000	1,856,185
2020-2024	3,405,000	1,179,577
2025-2028	3,345,000	318,316
Totals	<u>\$ 11,725,000</u>	<u>\$ 5,738,810</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 8,655,000	\$	\$ 365,000	\$ 8,290,000	\$ 385,000
Financing Obligations:					
Kentucky Association Of					
Counties Leasing Trust Program	742,297		66,078	676,219	59,641
Old National Bank	45,126		14,371	30,755	15,032
Governmental Activities					
Long-term Liabilities	<u>\$ 9,442,423</u>	<u>\$ 0</u>	<u>\$ 445,449</u>	<u>\$ 8,996,974</u>	<u>\$ 459,673</u>
<u>Business Type Activities:</u>					
Lease Revenue Bonds	<u>\$ 12,115,000</u>	<u>\$</u>	<u>\$ 390,000</u>	<u>\$ 11,725,000</u>	<u>\$ 410,000</u>
Business Type Activities					
Long-term Liabilities	<u>\$ 12,115,000</u>	<u>\$ 0</u>	<u>\$ 390,000</u>	<u>\$ 11,725,000</u>	<u>\$ 0</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$34,562 in interest on financing obligations and \$330,010 in interest on bonds.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On April 3, 2003, the Grayson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2009, Grayson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Detention Center Accounting System

Beginning in fiscal year ended June 30, 2003, the County Jailer assumed responsibility for paying and accounting for Jail Fund expenditures. The County Treasurer still receives, deposits and records Jail Fund revenue in the receipts ledger, and receives and reconciles monthly bank statements to receipts. The County Jailer receives invoices from vendors, computes payroll for jail personnel, presents claims to fiscal court for approval, prepares Jail Fund checks, maintains the Jail Fund appropriations ledger and warrant distribution register, and reconciles monthly bank statements. Jail Fund checks are co-signed by the County Jailer, in addition to the County Judge/Executive and County Treasurer. The Department for Local Government assisted in the design and approved this accounting system for the Grayson County Detention Center.

Note 11. Contingencies

Grayson County Fiscal Court is defendant in certain litigation brought by the American Civil Liberties Union (ACLU) and two other defendants related to the display of the Ten Commandments. Initially, the courts ruled that Grayson County should remove the display. Grayson County appealed the Court's decision, however, the Court ordered, outside of the appeal, that Grayson County should pay the plaintiffs \$46,600 in attorney's fees and costs. Grayson County subsequently made a motion that payment of the fees awarded to the plaintiff's be delayed until the court rules on Grayson County's appeal of the decision regarding the display of the Ten Commandments.

Grayson County had not made the payment and was still in the appellate process as of June 30, 2009. In January 2010, the appellate court awarded the County the right to display the Ten Commandments without any cost to the County.

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,290,400	\$ 1,290,400	\$ 1,296,298	\$ 5,898
In Lieu Tax Payments	16,000	16,000	34,218	18,218
Excess Fees	56,630	225,081	240,082	15,001
Licenses and Permits	18,350	18,350	18,596	246
Intergovernmental Revenue	285,740	358,807	439,099	80,292
Charges for Services	975	975		(975)
Miscellaneous	57,000	57,000	95,170	38,170
Interest	9,000	9,000	2,804	(6,196)
Total Revenues	<u>1,734,095</u>	<u>1,975,613</u>	<u>2,126,267</u>	<u>150,654</u>
EXPENDITURES				
General Government	846,054	1,031,472	952,983	78,489
Protection to Persons and Property	69,283	119,003	91,549	27,454
General Health and Sanitation	102,880	107,678	107,603	75
Recreation and Culture	59,000	59,000	50,697	8,303
Debt Service	72,500	72,500	56,682	15,818
Administration	897,930	1,098,492	856,379	242,113
Total Expenditures	<u>2,047,647</u>	<u>2,488,145</u>	<u>2,115,893</u>	<u>372,252</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(313,552)</u>	<u>(512,532)</u>	<u>10,374</u>	<u>522,906</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(60,000)	(60,000)	(74,000)	(14,000)
Transfers from Other Funds	71,037	87,334	187,334	100,000
Total Other Financing Sources (Uses)	<u>11,037</u>	<u>27,334</u>	<u>113,334</u>	<u>86,000</u>
Net Changes in Fund Balance	(302,515)	(485,198)	123,708	608,906
Fund Balance - Beginning	<u>302,515</u>	<u>485,198</u>	<u>485,198</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 608,906</u>	<u>\$ 608,906</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Taxes	\$ 600,000	\$ 600,000	\$ 713,903	\$ 113,903
Intergovernmental Revenue	2,025,837	2,025,837	1,913,813	(112,024)
Miscellaneous	13,000	13,000	4,022	(8,978)
Interest	10,000	10,000	5,350	(4,650)
Total Revenues	<u>2,648,837</u>	<u>2,648,837</u>	<u>2,637,088</u>	<u>(11,749)</u>
EXPENDITURES				
General Government	15,000	15,000	10,687	4,313
Protection to Persons and Property		183,216	178,536	4,680
Roads	2,092,045	2,103,169	1,775,533	327,636
Debt Service	33,200	33,200	20,572	12,628
Administration	637,555	443,215	330,083	113,132
Total Expenditures	<u>2,777,800</u>	<u>2,777,800</u>	<u>2,315,411</u>	<u>462,389</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(128,963)</u>	<u>(128,963)</u>	<u>321,677</u>	<u>450,640</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	<u>(71,037)</u>	<u>(71,037)</u>	<u>(96,910)</u>	<u>(25,873)</u>
Total Other Financing Sources (Uses)	<u>(71,037)</u>	<u>(71,037)</u>	<u>(96,910)</u>	<u>(25,873)</u>
Net Changes in Fund Balance	(200,000)	(200,000)	224,767	424,767
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>317,418</u>	<u>117,418</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 542,185</u>	<u>\$ 542,185</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 8,886,734	\$ 8,886,734	\$ 9,154,793	\$ 268,059
Charges for Services	82,000	82,000	60,245	(21,755)
Miscellaneous	232,000	232,000	317,491	85,491
Interest	40,000	40,000	19,459	(20,541)
Total Revenues	9,240,734	9,240,734	9,551,988	311,254
EXPENDITURES				
Protection to Persons and Property	6,461,864	6,836,464	6,722,940	113,524
Debt Service	742,755	748,155	33,363	714,792
Administration	2,926,630	2,546,630	2,474,777	71,853
Total Expenditures	10,131,249	10,131,249	9,231,080	900,169
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(890,515)	(890,515)	320,908	1,211,423
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(60,000)	(60,000)	(855,870)	(795,870)
Total Other Financing Sources (Uses)	(60,000)	(60,000)	(855,870)	(795,870)
Net Changes in Fund Balance	(950,515)	(950,515)	(534,962)	415,553
Fund Balance - Beginning	950,515	950,515	1,816,189	865,674
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,281,227	\$ 1,281,227

GRAYSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**GRAYSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

GRAYSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Federal Grant Fund	Emergency 911 Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 20,891	\$ 6,448	\$ 21,298	\$ 48,637
Total Assets	<u>20,891</u>	<u>6,448</u>	<u>21,298</u>	<u>48,637</u>
FUND BALANCES				
Reserved For:				
Encumbrances	12,737		4,271	17,008
Unreserved:				
Special Revenue Funds	<u>8,154</u>	<u>6,448</u>	<u>17,027</u>	<u>31,629</u>
Total Fund Balances	<u>\$ 20,891</u>	<u>\$ 6,448</u>	<u>\$ 21,298</u>	<u>\$ 48,637</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

GRAYSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Federal Grant Fund	Emergency 911 Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$	\$ 277,056	\$ 277,056
Intergovernmental	74,134	6,448		80,582
Charges for Services			60,000	60,000
Miscellaneous	641		1,481	2,122
Interest	144		140	284
Total Revenues	<u>74,919</u>	<u>6,448</u>	<u>338,677</u>	<u>420,044</u>
EXPENDITURES				
General Government	7,240			7,240
Protection to Persons and Property	22,223		334,919	357,142
General Health and Sanitation	8,984			8,984
Social Services	945			945
Recreation and Culture	5,581			5,581
Bus Service	9,250			9,250
Debt Service	4,393			4,393
Administration			117,358	117,358
Total Expenditures	<u>58,616</u>		<u>452,277</u>	<u>510,893</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>16,303</u>	<u>6,448</u>	<u>(113,600)</u>	<u>(90,849)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds			110,000	110,000
Total Other Financing Sources (Uses)			<u>110,000</u>	<u>110,000</u>
Net Change in Fund Balances	16,303	6,448	(3,600)	19,151
Fund Balances - Beginning	<u>4,588</u>		<u>24,898</u>	<u>29,486</u>
Fund Balances - Ending	<u>\$ 20,891</u>	<u>\$ 6,448</u>	<u>\$ 21,298</u>	<u>\$ 48,637</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GRAYSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GRAYSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2009

Federal Grantor

Program Title

Grant Name

Federal

CFDA #

Grant Number

Expenditures

U.S Department of Homeland Security

*Passed through KY Office of Homeland Security and
 KY Department of Military Affairs*

Federal Emergency Management Agency - 1818

97.036

GRA-CO-11B-JH

\$ 781,361

Federal Emergency Management Agency - 1841

97.036

GRA-COU-01B-JTJ

233,494

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 1,014,855

GRAYSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Grayson County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Gary Logsdon, Grayson County Judge/Executive
Members of the Grayson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 31, 2009. Grayson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grayson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grayson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grayson County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Grayson County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Grayson County, Kentucky, in a separate letter dated December 31, 2009.

This report is intended solely for the information and use of management, the Grayson County Fiscal Court, federal awarding agencies and pass-through entities, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

December 31, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Gary Logsdon, Grayson County Judge/Executive
Members of the Grayson County Fiscal Court

Report on Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Grayson County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Grayson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grayson County's management. Our responsibility is to express an opinion on Grayson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grayson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grayson County's compliance with those requirements.

In our opinion, Grayson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Grayson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grayson County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grayson County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

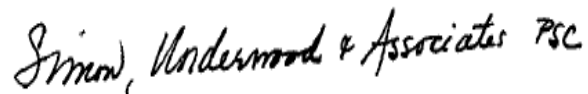
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

December 31, 2009

GRAYSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009

**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Grayson County, Kentucky.
2. No significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Grayson County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Grayson County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Grayson County reported in Part C of this schedule.
7. The program tested as a major programs was: Federal Emergency Management Disaster Program (CFDA #97.036)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Grayson County was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

THIS PAGE LEFT BLANK INTENTIONALLY

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

GRAYSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

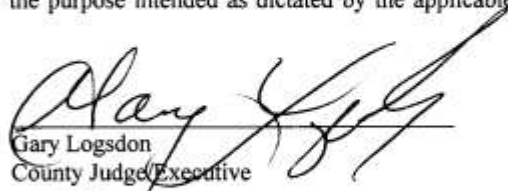
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM


GRAYSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Grayson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Gary Logsdon
County Judge/Executive



Rebecca Hayse
County Treasurer

